9M

Interim Report

9 Months 2012

SALZGITTER AG

Stahl und Technologie

Contents

Salzgitter Group Figures

		9M 2012	9M 2011	+/–
Crude steel production[1]	**kt**	**5,776.6**	**5,463.5**	**313.1**
External sales	**€ million**	**8,015.1**	**7,331.4**	**683.8**
Steel Division	€ million	2,037.6	2,071.4	–33.8
Trading Division	€ million	3,659.0	2,810.6	848.4
Tubes Division	€ million	1,164.7	1,299.6	–135.0
Services Division	€ million	313.3	355.7	–42.4
Technology Division	€ million	813.0	728.4	84.7
Other	€ million	27.5	65.6	–38.1
Export share (%)	30/09/	57.5	49.9	7.6
EBITDA[2]	**€ million**	**287.7**	**488.9**	**–201.2**
EBIT[2]	**€ million**	**31.8**	**239.0**	**–207.2**
Earnings before tax (EBT)	**€ million**	**–42.6**	**169.1**	**–211.7**
Steel Division	€ million	–149.8	35.9	–185.7
Trading Division	€ million	42.0	53.3	–11.4
Tubes Division	€ million	17.2	59.3	–42.1
Services Division	€ million	12.5	14.6	–2.1
Technology Division	€ million	0.8	–36.5	37.2
Other/Consolidation	€ million	34.8	42.5	–7.7
Earnings after tax	**€ million**	**–48.2**	**114.7**	**–162.9**
Basic earnings per share	**€**	**–0.95**	**2.06**	**–3.01**
ROCE[3][4]	**%**	**0.0**	**5.8**	**–5.8**
Operating cash flow	**€ million**	**395.0**	**–286.1**	**681.1**
Capital expenditure[5]	**€ million**	**240.0**	**276.5**	**–36.5**
Depreciation and amortization[5]	**€ million**	**255.9**	**249.8**	**6.1**
Total assets	**€ million**	**9,118.9**	**8,936.5**	**182.4**
Non-current assets	**€ million**	**3,746.3**	**3,542.1**	**204.2**
Current assets	**€ million**	**5,372.6**	**5,394.4**	**–21.7**
of which inventories	€ million	2,067.8	2,199.2	–131.4
of which cash and cash equivalents	€ million	788.5	933.8	–145.3
Equity	**€ million**	**3,925.2**	**3,919.6**	**5.6**
Liabilities	**€ million**	**5,193.7**	**5,016.9**	**176.8**
Non-current liabilities	€ million	3,000.9	2,996.6	4.3
Current liabilities	€ million	2,192.9	2,020.4	172.5
of which due to banks[6]	€ million	129.7	89.6	40.1
Net position due to banks[7]	**€ million**	**572.9**	**528.0**	**44.9**
Employees				
Personnel expenses	€ million	1,124.5	1,092.1	32.4
Core workforce	30/09/	23,403	23,561	–158
Total workforce	30/09/	25,698	25,742	–44

Disclosure of financial data in compliance with IFRS

[1] In regard of the participation in Hüttenwerke Krupp Mannesmann

[2] EBIT = EBT + interest expense/- interest income; EBITDA = EBIT plus depreciation and amortization

[3] Return on Capital Employed (ROCE) = EBIT (= EBT + interest expense excluding the interest portion of allocations to pension provisions) in relation to the total of shareholders' equity (without calculation of accrued and deferred taxes), tax provisions, interest-bearing liabilities (excluding pension provisions) and liabilities from financial leasing, forfaiting

[4] Annualized

[5] Excluding financial assets

[6] Current and non-current liabilities due to banks

[7] Including investments, e.g. securities and structured investments

Summary

Challenging market environment causes a decline in results

Following a promising start to the year, the Salzgitter Group was exposed to an increasingly difficult environment in the first nine months of the financial year 2012. Along with the European steel market already ailing in a number of regions, the business activities of German steel processors and traders have also recently lost discernible momentum. Against this background, the Salzgitter Group reported a notable decline in its pre-tax result as against the previous year, first and foremost due to the unsatisfactory development in the results of the Steel Division.

Group:

- **External sales:** plus 9 % to € 8,015.1 million
- **Earnings before tax:** € –42.6 million
- **Earnings after tax:** € –48.2 million
- **Earnings per share** (undiluted): € –0.95
- **Net financial position:** remains solid at € 573 million
- **Equity ratio:** 43.0 %

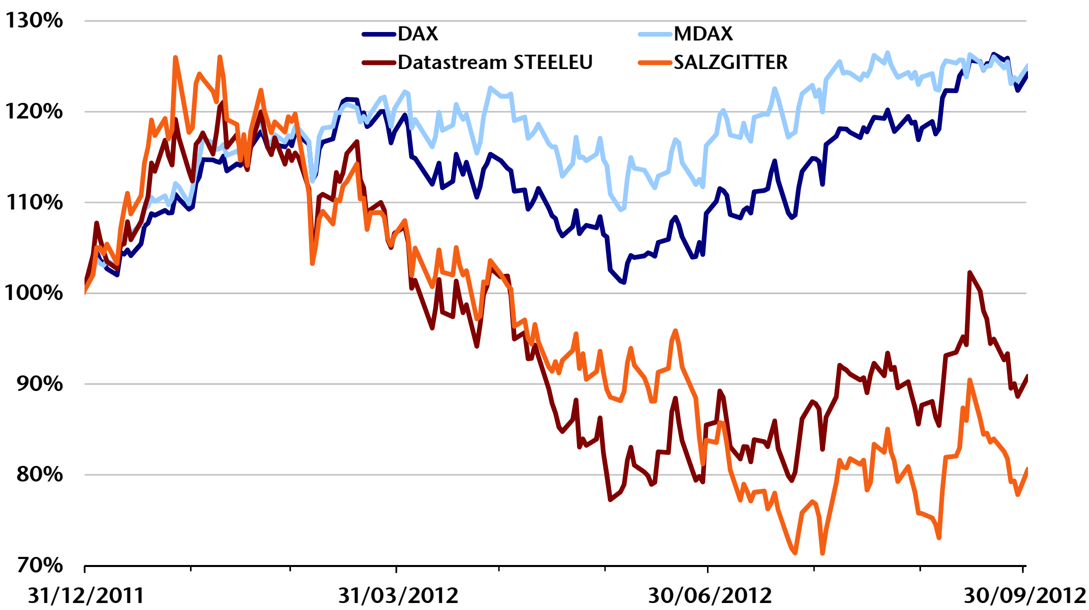
Business development of the divisions:

- **Steel:** generally sound capacity utilization, external sales almost reached the year-earlier level, clearly negative pre-tax result following unsatisfactory average selling prices associated with the prevailing fierce competition in conjunction with the persistently high cost of raw materials and energy
- **Trading:** gratifying acceleration of the international trading business, external sales climbed 30 %, presentable profit before tax
- **Tubes:** greater shipments of medium-diameter line pipes were able to compensate for the lower volume of large-diameter pipes, external sales lower, but positive pre-tax earnings
- **Services:** external sales decreased, profit before tax almost reached year-earlier level
- **Technology:** KHS Group continues to reap above-average benefit from trends in the food and packaging machinery sector, increase in external sales, pre-tax earnings substantially exceeds the year-earlier figure
- **Other/Consolidation:** external sales fell by around 50 % due to the economic environment, earnings before tax includes € 44.6 million in after-tax profit contribution from the Aurubis AG participation

Guidance for the financial year 2012: With regard to the Salzgitter Group, we affirm our forecast for stable sales at minimum and now anticipate a pre-tax result around breakeven.

Investor Relations

Capital Market and Price Performance of the Salzgitter Share



Sources: Xetra closing prices DBAG, Datastream STEELEU

In the first nine months of 2012, the **stock markets** reported a recovery that was accompanied by sharp share price fluctuations. The indices initially rose in the first quarter in response to still positive news about the economy. From March onward, the gradual deterioration in the financial position of a number of eurozone countries caused uncertainty in the capital markets and triggered a short-lived consolidation. Sentiment on the stock exchanges improved at the start of June in the wake of the move of the Central Bank of China to lower interest rates and various political measures in Europe all of which led to a generally positive share price trend through to the end of the period under review. The assumption is, however, that this development was also driven by a dearth of investment opportunities owing to the extremely low level of key interest rates. All in all, the DAX climbed by 22% and the MDAX by 23% in the first three quarters of the current year.

The unsettled environment naturally compounded the volatility of cyclically sensitive equities such as the **Salzgitter share**. Buoyed by the upbeat macroeconomic expectations at the start of the year, our share climbed to its interim high for the year of € 48.95 on February 8, up from its year-end closing price of € 38.63. In the months thereafter the debate on sovereign debt led to a consolidation of almost all steel equities. As from the second quarter a somewhat more positive market sentiment began to have an impact on the shares of companies operating in cyclically sensitive sectors of the economy. In the European steel industry the first effects were seen with manufacturers that concentrate primarily on producing flat steel and plate for the comparatively still robust German automobile and mechanical engineering sectors. In the case of companies with broader based business, such as Salzgitter AG, the slight recovery only manifested at a later date. Accordingly, our share price had recovered from its annual low at the end of July, gaining more than 10% to € 30.07 by the end of the reporting period. All in all, the Salzgitter share reported an overall performance of –22% in the period under review and, taking account of a dividend markdown of € 0.45 following the Annual General Meeting of Shareholders on May 24, 2012, of –21%.

In current **analyst coverage** conducted by 23 banks, the Salzgitter share has been assessed with the following recommendations (as per September 30, 2012): 9 buy/outperform, 13 hold/market perform, 1 sales/underperform.

The **average daily turnover** of the Salzgitter share on German stock exchanges came to around 324,000 units a day as per September 30. Salzgitter AG therefore took tenth place measured by turnover and held 25th place in terms of free float market capitalization in the MDAX ranking of Deutsche Börse AG as per September 28, 2012.

As part of our **investor relations work**, we made presentations at investor conferences in New York, Frankfurt, Munich, Baden-Baden and Luxembourg in the first nine months of the financial year 2012. In addition, we held roadshows in London, Stockholm, Helsinki, Milan and Lugano. Investors and analysts took advantage of the offer of visiting our plants in Salzgitter, Peine, Ilsenburg and Mülheim an der Ruhr and of informing themselves about our company and its potential at in situ meetings with representatives of the company. Moreover, we presented the results of the first half of 2012 in mid-August at well-attended analysts' conferences in Frankfurt and London and engaged in intensive dialog with the capital market.

Treasury shares

Salzgitter AG's portfolio of treasury shares came to 6,009,700 units on September 30, 2012, unchanged from December 31, 2011.

Dividend

As before, the **amount of dividend** will be geared to the profit trend. The cyclical fluctuations typical of the sector are by nature reflected in the results of the Group on the one hand, and in its share price, on the other. The separate financial statements of Salzgitter AG are decisive for the ability to pay dividend. The Salzgitter Group pursues a fundamental policy of paying out steady and attractive dividend based on the pre-requisite of achieving actual operating profit and removed from volatile reporting-date related influences. Such payment does not necessarily have to fully reflect the cyclicality of the earnings performance.

Information for investors

		9M 2012	9M 2011
Nominal capital as of 30/09/	€ million	161.6	161.6
Number of shares as of 30/09/	million	60.1	60.1
Number of shares outstanding as of 30/09/	million	54.1	54.1
Market capitalization as of 30/09/[1)2)]	€ million	1,627	1,961
Price as of 30/09/[1)]	**€**	**30.07**	**36.26**
High 01/01/ – 30/09/[1)]	€	48.95	65.64
Low 01/01/ – 30/09/[1)]	€	27.03	32.43
Security identification number	620200		
ISIN	DE0006202005		

1) All data based on prices from XETRA trading
2) Calculated on the basis of the respective closing price at the end of the period multiplied by the number of shares outstanding per this date

Earnings, Financial Position and Net Worth

Economic environment

The third quarter of 2012 found the **global economy** in a generally battered state. Signs of recovery at the start of the year were swiftly overshadowed by the debate on the sovereign debt of a number of eurozone countries, while most of the regions outside Europe also saw economic activity cool: Similar to the large emerging markets where the weakness of important sales markets exacerbated existing structural deficits, growth momentum in the US and Japan also slowed. Although fiscal stimuli had a positive effect on the international financial markets, a sustained impact on the real economy has, however, not yet materialized. Accordingly, the International Monetary Fund (IMF) recently revised its forecast for global economic growth in 2012 downward to 3.3 %.

In the **eurozone**, the majority of member states was still reporting economic recession. Especially in the countries of southern Europe that are particularly impacted by sovereign debt and structural problems the situation remained tense. By contrast, Ireland, one of the countries originally affected by the crisis, was showing signs of stabilizing. Foreign trade provided gratifying stimulus throughout the reporting period – also currency induced due to the temporary depreciation of the euro – but was unable to compensate for the downturn in domestic demand. The IMF anticipates a contraction in the range of – 0.4 % in the euro area in 2012.

Following a brief recovery at the start of 2012, **Germany**'s economy suffered increasingly from the situation in the eurozone countries in southern Europe. As early as April, business expectations deteriorated steadily, which was first and foremost reflected in slowing capital expenditure. By contrast, the disproportionate increase in exports relative to global trading had a stabilizing effect. According to IMF calculations, the German economy is set to post below-average growth of 0.9% over the course of the year, but will not slide into recession.

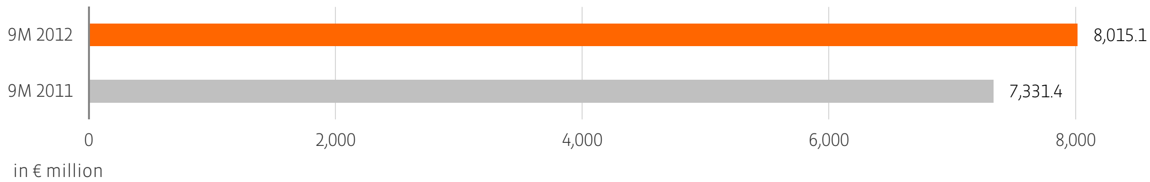
		Q3 2012	Q3 2011	9M 2012	9M 2011
Crude steel production[1]	kt	1,918.9	1,808.7	5,776.6	5,463.5
External sales	**€ million**	**2,636.7**	**2,557.7**	**8,015.1**	**7,331.4**
EBITDA[2]	€ million	87.9	145.5	287.7	488.9
EBIT[2]	€ million	2.6	62.2	31.8	239.0
Earnings before tax (EBT)	**€ million**	**–24.6**	**39.2**	**–42.6**	**169.1**
Earnings after tax	**€ million**	**–25.7**	**21.0**	**–48.2**	**114.7**
ROCE[3][4]	**%**	**–0.4**	**5.8**	**0.0**	**5.8**
Capital expenditure[5]	€ million	90.4	95.8	240.0	276.5
Depreciation and amortization[5]	€ million	85.4	83.4	255.9	249.8
Operating cash flow	€ million	163.7	–203.1	395.0	–286.1
Net position due to banks[6]	**€ million**	**572.9**	**528.0**	**572.9**	**528.0**
Equity ratio	%			43.0	43.9

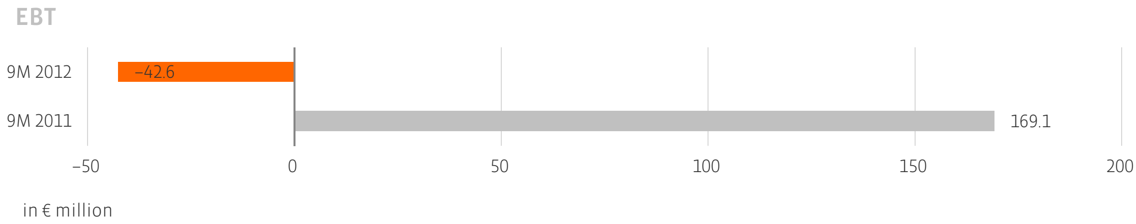
[1] In regard of the participation in Hüttenwerke Krupp Mannesmann
[2] EBIT = EBT + interest expense/- interest income; EBITDA = EBIT plus depreciation and amortization
[3] Return on Capital Employed (ROCE) = EBIT (= EBT + interest expense excluding the interest portion of allocations to pension provisions) in relation to the total of shareholders' equity (without calculation of accrued and deferred taxes), tax provisions, interest-bearing liabilities (excluding pension provisions) and liabilities from financial leasing, forfaiting
[4] Annualized
[5] Excluding financial assets
[6] Including investments, e.g. securities and structured investments

Earnings Situation within the Group

Following a promising start to the year, the Salzgitter Group was exposed to an increasingly difficult environment in the first nine months of the financial year 2012. Along with the European steel market already ailing in a number of regions, the business activities of German steel processors and traders have also recently lost discernible momentum. Against this background, the Salzgitter Group reported a notable decline in its pre-tax result as against the previous year, first and foremost due to the unsatisfactory development in the results of the Steel Division. With an equity ratio unchanged at 43 % and a net financial position of € 573 million, the financial situation of our company remains sound; Salzgitter AG is therefore well equipped to meet the current challenges.

External Sales





Consolidated external sales climbed by 9% to € 8,015.1 million (9 months 2011: € 7,331.4 million). The greatest contribution was made by the significant increase in the business volume of the Trading Division. The **pre-tax result** stood at € –42.6 million at the end of the first nine months of 2012 (9 months 2011: € 169.1 million). This figure comprises a total of € 44.6 million in after-tax contribution by Aurubis AG, a participation included at equity (9 months 2011: € 52.9 million). The **consolidated result after tax** amounted to € –48.2 million (9 months 2011: € 114.7 million).

Steel Division

		Q3 2012	Q3 2011	9M 2012	9M 2011
Order bookings	kt	1,298.3	1,167.2	4,139.7	3,690.5
Order backlog as of 30/09/	kt			1,095.8	909.2
Crude steel production	kt	1,507.0	1,402.8	4,519.9	4,250.6
LD steel (SZFG)	kt	1,160.3	1,100.8	3,432.9	3,491.5
Electric steel (PTG)	kt	346.6	302.0	1,086.9	759.1
Rolled steel production	kt	1,328.3	1,316.1	4,178.4	3,982.5
Shipments	kt	1,173.5	1,253.6	4,116.0	3,941.1
Sales[1]	**€ million**	**907.5**	**972.1**	**2,934.8**	**2,970.5**
External sales	**€ million**	**630.8**	**704.4**	**2,037.6**	**2,071.4**
Earnings before tax (EBT)	**€ million**	**– 51.9**	**5.5**	**– 149.8**	**35.9**

[1] Incl. sales to other corporate divisions

With its branded and special steels, the **Steel Division** is particularly representative of our Group's core competence. The division's six operating companies produce a wide range of steel products (flat steel and sections, plate, sheet piling, components for roofing and cladding and tailored blanks) at the Salzgitter, Peine, Ilsenburg and Dortmund locations. Especially with regard to flat steel products, the product portfolio is geared to premium steel grades and qualities for use in increasingly sophisticated application scenarios.

Shipments and procurement market

Growth of the **global steel market** slowed in the first nine months of 2012. As a result, the global output of crude steel edged up by a mere 0.6 % to 1.15 billion tons and – excluding China (+1.7 %) – posted a minus of 0.3 %. The individual geographical regions show remarkably little difference. Both the group of emerging markets and the industrialized nations failed to meet the original expectations. Only the US steel market performed well, as it was able to stage a recovery thanks to brisk business in the automotive sector, the upswing in the energy market, and an improvement in construction activities.

The recession in the **euro area** caused a setback in the European Union's steel industry, as Spain and Italy in particular experienced a sharp downturn in demand. New orders received by the European producers of flat steel have been in decline since April, falling roughly 3 % short of the year-earlier figures in the first nine months. As a result, EU 27 crude steel output (129.6 million tons) contracted by 4.6 % during the reporting period. The outlook for the trend of imports into the EU is currently somewhat brighter: lower imports, especially of flat steel products from countries outside the EU, were observed. The current development of import licenses does not indicate a trend reversal, which is also substantiated by spot prices falling since June.

In **Germany**, steel processor production was running at a sound level at the last take. The loss of momentum has been notable since the start of the second half-year, however, especially in mechanical engineering. The real demand for steel remained virtually unchanged in the first six months compared with a year ago. Nonetheless, traders and processors had already begun to scale back their inventories in the second quarter, resulting in a slowdown in German steel activities as the year progressed. Accordingly, the production of crude steel had fallen 4.9% by the end of September compared with the previous year's figure.

Huge price volatility on the iron ore spot market

Different price models with different reference periods became established in the global market for **iron ore** in 2012. The reference parameter in most cases is the spot market price trend in China. The benchmark pricing of fine ore with an iron content of 62 % fluctuated within a range of 133 and 151 USD/dmt CFR China in the first six months of 2012. The third quarter was impacted by a massive slump on the spot market, causing the index to plummet to just under 90 USD/dmt. A marked uptrend set in at the start of the fourth quarter. In the case of price models with a time lag of four months, benchmark prices for the Carajas fine ore reference grade of 141 USD/dmt in the first quarter, 122 USD/dmt in the second, 126 USD/dmt in the third quarter and 106 USD/dmt in the final quarter of 2012 were derived. Analysts anticipate spot market price levels of 110 to 130 USD/dmt CFR China in 2013.

Considerable increase in liquidity on the coking coal market

As opposed to the iron ore market, benchmark contracts are concluded on a quarterly basis for **coking coal**, as before. The price level of these contracts is fixed through negotiations between large producers and customers with a benchmark effect for the market; they apply to 75 % of all seaborne tonnage negotiated. By contrast, global market leader BHP Billiton largely only offers monthly contracts. In the first six months of 2012, the market's development was determined by renewed flooding in Australia's Queensland and several weeks of strikes in some of Australia's mines. The summer months ushered in a discernible easing on the market, which translated into a lower price level for the fourth quarter. The prices declined from 235 USD/t in the first quarter, more than 210 USD/t in the second, 225 USD/t in the third and to 170 USD/t in the last three months of the year.

Price fluctuations in metals and ferro-alloys

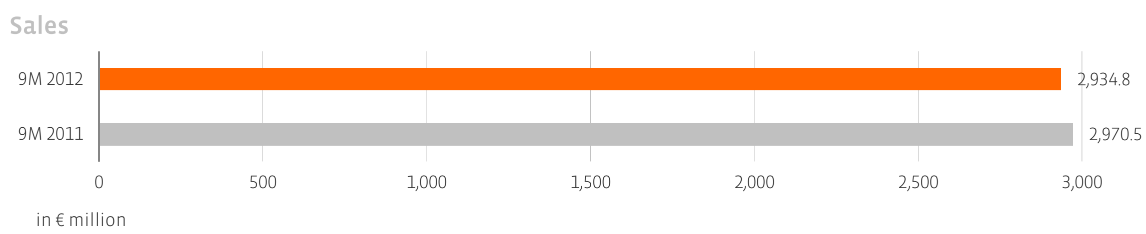
The international markets for **metals and alloys** presented a disparate picture: Whereas the prices of listed metals, such as zinc, nickel, copper and aluminum, displayed more of a sideways movement in the first quarter of 2012, they fell subsequently in the second only to climb again at the end of the third. Prices for manganese-based bulk alloys rose sharply in the first quarter after which they entered a downtrend.

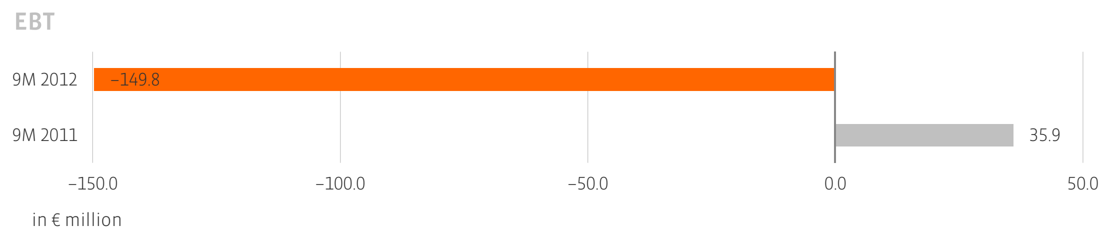
Steel scrap market volatile

Having risen at the beginning of the year, prices in the German **steel scrap market** came increasingly under pressure from disappointing economic data from China and fears about the euro sovereign debt crisis in the first half-year. Moreover, demand in the deep sea market and for container scrap exports slowed, which meant that export markets did not provide support. The only braking factor on the downturn in prices was the strong US dollar. The signs emanating from the steel and scrap market could hardly have contrasted more starkly in August and September. Whereas the steel industry was confronted by weaker steel business activities with renewed deterioration, the insufficient supply from the scrap sector resulted in price increases of up to €25/t due to the factory vacations of the automotive industry.

Against this backdrop the Steel Division developed as follows:

The still relatively high steel consumption of German industrial customers over the reporting period, along with support from the replenishing of inventories by the distribution sector in the first quarter, boosted **order intake** and **orders on hand** of the steel companies. The success of the two-furnace parallel operation of Peiner Träger GmbH (PTG) had a positive impact on **crude steel tonnage** and a weaker euro enabled the export of **rolled steel** to countries outside the EU in the second quarter. All in all, both the production of crude steel and rolled steel as well as **shipments** exceeded the figures achieved in the first nine months of 2011. **Segment and external sales** settled just below the year-earlier level. In conjunction with the persistently high cost of raw materials and energy, unsatisfactory average selling prices associated with the prevailing fierce competition contributed to the clearly negative **result before tax**.





More detailed explanations on the individual companies

Mirroring the generally sound output of German steel processors, both order intake and the rolled steel production of **Salzgitter Flachstahl GmbH (SZFG)** were marginally above the levels seen in the first nine months of 2011. Orders on hand, however, were notably higher as opposed to crude steel output that fell marginally below the year-earlier figure. Shipments benefited especially in the first quarter from the good order situation that received support primarily from the significant reduction in inventories by traders and processors at year-end 2011. In the two subsequent quarters, shipments slowed again but generally remained almost at the previous year's level. Sales fell short of the year-earlier period mainly due to selling prices. In conjunction with ongoing high cost of raw materials, this resulted in significantly negative earnings before tax.

Against the backdrop of skepticism about the economic outlook and extremely cautious and reticent booking patterns of the stockholding steel trade, the European **plate market** came under great pressure after its gratifying start to the year. Excess supply triggered a phase of tumbling prices, which came to an end at the start of the fourth quarter. The aggressive steps taken by some plants to secure capacity utilization resulted in unsatisfactory selling prices first and foremost for standard steel products and also to a lesser extent for higher-end grades. In an extremely price-sensitive export market, the North American business slowed again in the face of the rising euro/dollar exchange rate. The segment of nickel grades proved to be relatively stable despite isolated instances of declining prices.

Ilsenburger Grobblech GmbH (ILG) again reaped the benefit of its long-term collaboration with the wind power industry. This is reflected in the comparatively higher order intake and order tonnage in hand. Both rolled steel production and shipments almost attained the year-earlier volumes, despite the work performed as part of the "ILG 2015" investment project. Sales nonetheless fell below the level posted in the first nine months of 2011 due to selling prices. Against this background, the company delivered breakeven on a pre-tax basis.

As a result of the low inventory levels in trading, the **producers of steel beams** reported a strong recovery in orders at the beginning of the year, especially in Europe's key markets. As inventory turnover was weaker than expected, order volumes had been pared down again by the end of the first quarter to prevent more growth in stocks. Starting with the second quarter, the problematic economic situation in the EU was reflected in customer demand patterns as exemplified by the delays in the awarding of steel construction projects. Uncertainty about how prices would develop in the third quarter caused traders to adopt an approach to ordering at even greater short notice and based more on inventory levels despite the shortfall in supply due to the producers' summer break. It was not possible to pass on the full scope of scrap price increases in the market.

Peiner Träger GmbH (PTG) was unable to decouple from market influences: Following a more amenable order situation at the start of the year, the sentiment of the stockholding steel trade, PTG's largest customer, deteriorated from May onwards. Orders were reduced to a necessary minimum, which meant that the initial improvement in the steel works' net revenues was unable stabilize in the market. Order intake and orders on hand, the production of crude and rolled steel, shipments and sales were all notably higher as against the year-earlier period due to internal demand for slabs now being met through the parallel operation of the two furnaces In addition, a weaker euro permitted rolled steel exports to countries outside the EU on occasion. As in the previous year's period, the pre-tax result nonetheless remained clearly in the red due to unsatisfactory margins.

The **sheet piling market** is extremely dependent on public-sector investment where spending policies are determined by cuts to contain the financial crisis. Projects for new measures and expanding the waterway engineering infrastructure and flood protection have therefore been shelved for the time being. There are, however, currently signs of a slight recovery in demand for sheet piling in the eastern European and non-European economic regions.

Compared with the first nine months of 2011, the order intake of **HSP Hoesch Spundwand und Profil GmbH (HSP)** developed well. Uninterrupted production on the back of a doubling of orders on hand from an initially catastrophic position had a positive impact on both production efficiency and volume. The increase in shipments was accompanied by sales growth. The pre-tax result, although showing signs of improvement, remained negative due to still unsatisfactory selling prices.

Commercial construction proved to be quite stable overall in the first nine months. There was, however, considerable competitive pressure from Germany's neighboring countries. With the hesitant awarding of projects, satisfactory selling prices were achieved above all for contracts placed at short notice with short delivery times. Against this backdrop, the shipments, sales and the pre-tax profit of **Salzgitter Bauelemente GmbH (SZBE)** fell short of the previous year's level.

From January to September 2012, new car registrations in Germany were only marginally below the year-earlier figure. This shows that the domestic automobile market is much more robust than in the neighboring countries of the western and southern Europe. Sales in Italy, France and Spain, for instance, fell to their lowest level since 1993 as demand slumped. By contrast, exports to non-EU countries continued to represent the mainstay of the German automotive industry. In this environment, the shipments and sales of **Salzgitter Europlatinen GmbH (SZEP)** settled at the level posted a year ago as opposed to the pre-tax result which was lower year-on-year.

Trading Division

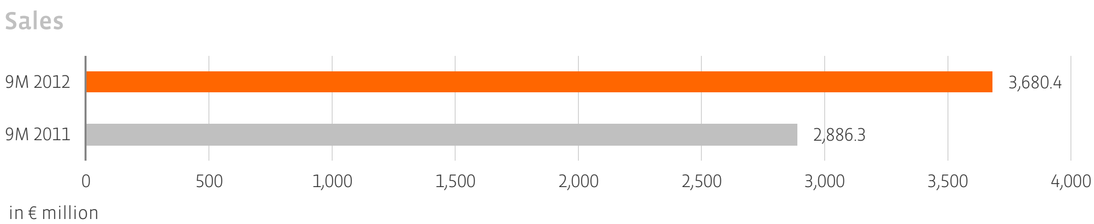
		Q3 2012	Q3 2011	9M 2012	9M 2011
Shipments	kt	1,555.8	1,305.0	4,635.8	3,442.9
Sales[1)]	**€ million**	**1,265.1**	**1,096.4**	**3,680.4**	**2,886.3**
External sales	**€ million**	**1,260.6**	**1,073.4**	**3,659.0**	**2,810.6**
Earnings before tax (EBT)	**€ million**	**14.3**	**15.3**	**42.0**	**53.3**

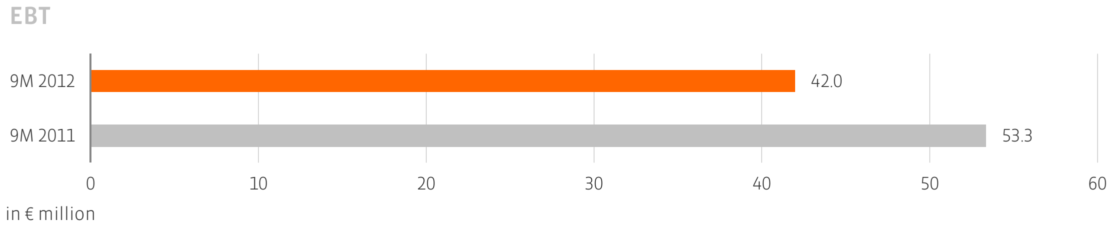
[1)] Incl. sales to other corporate divisions

Alongside a well-developed organization of stockholding steel trading subsidiaries in Europe, the **Trading Division** comprises three steel companies specialized in plate and flat steel products structured as steel service centers (SSC), as well as a globalized international trading network. Apart from the rolled steel and tubes products of the Salzgitter Group, it also sells the products of other manufacturers in Germany and abroad. Moreover, the Trading Division procures semi-finished products for the Group and external customers on the international markets.

In the first nine months of 2012, the international steel markets reflected macroeconomic uncertainty. Whereas, at the start of the year, the markets were influenced by healthy demand and moderate price increases, selling prices stagnated in the months thereafter and subsequently entered a downtrend toward the end of the first half year. Along with Europe's challenging economy, this development was also due to low prices in the Russian market, as well as in Southeast Asia and South America. In contrast to the Latin American market in particular which rallied slightly from August onwards, the situation remained tense, above all in southern Europe where production capacities exceeded current demand from the local markets. German demand for steel was initially steady, but even here growing price pressure was notable as the year progressed.

Against this backdrop, international trading in particular contributed to substantial growth in the **shipment volumes** (+35%) of the Trading Division on the back of still high order levels. **Segment** (+20%) and **external sales** (+30%) rose accordingly. The division generated a presentable **pre-tax profit** of € 42 million that, however, unlike 2011 did not include the additional windfall profits.





The **Salzgitter Mannesmann Handel Group (SMHD Group)** raised its business volume in comparison with the previous year's period. With its stockholding business virtually unchanged, shipment volumes and sales grew, boosted by the considerable improvement in international trading. Pre-tax profit fell below the figure posted in the first nine months of 2011 that was impacted by positive windfall effects.

Shipment and sales of the **stockholding steel trade** remained virtually stable throughout the reporting period. In terms of geographical region, however, they continued to vary: volumes rose in the Netherlands, the Czech Republic and Hungary in contrast to the other markets that reported a downtrend. The pre-tax result fell short of the year-earlier figure due to the lower level of average selling prices.

Thanks to stable business in Africa and deliveries to the Far East, **international trading** saw a notable increase in volumes compared with 2011. Substantial project volumes in the Tubes Division bolstered this trend during the second and third quarter. Meanwhile better margins were reflected in a discernible increase in the pre-tax result compared with the previous year.

In view of the good market supply of plate and uncertainty about the outlook for business, the German customers of the **Universal Eisen und Stahl Group (UES Group)** adopted an increasingly cautious stance in respect of placing orders. By contrast, the situation in the US was better as the American UES subsidiaries continued to benefit from ongoing high demand from the energy industry. The shipments and sales of the UES Group climbed marginally in a year-on-year comparison, and the pre-tax result remained virtually stable.

The shipments of the steel service center **Hövelmann & Lueg GmbH (HLG)** declined in comparison with the first nine months of 2011. Considerable price pressure, due primarily to surplus capacities in the market, resulted in sales and the pre-tax result being unable to match the year-earlier figures.

Tubes Division

		Q3 2012	Q3 2011	9M 2012	9M 2011
Order bookings	€ million	405.8	390.4	1,547.4	1,653.9
Order backlog as of 30/09/	€ million			937.8	1,106.7
Sales[1)]	**€ million**	**571.5**	**514.3**	**1,612.4**	**1,612.5**
External sales	**€ million**	**374.2**	**396.5**	**1,164.7**	**1,299.6**
Earnings before tax (EBT)	**€ million**	**8.9**	**12.6**	**17.2**	**59.3**

[1)] Incl. sales to other corporate divisions

The **Tubes Division** comprises numerous subsidiaries and associated companies that manufacture and process welded and seamless steel tubes on three continents. The product portfolio consists mainly of pipelines and tubes of all diameters, ranging from gas pipelines through to injection tubes for diesel engines, stainless oil field and boiler tubes, precision tubes and cold-finished tubes for the automotive and machine building industries, as well as construction tubes in a variety of profiles.

Another company of the Tubes Division was included in the group of consolidated companies of Salzgitter AG with retrospective effect as per January 1, 2012:

- Salzgitter Mannesmann Precisión S.A. de C.V., El Salto (Mexiko) (MPM)

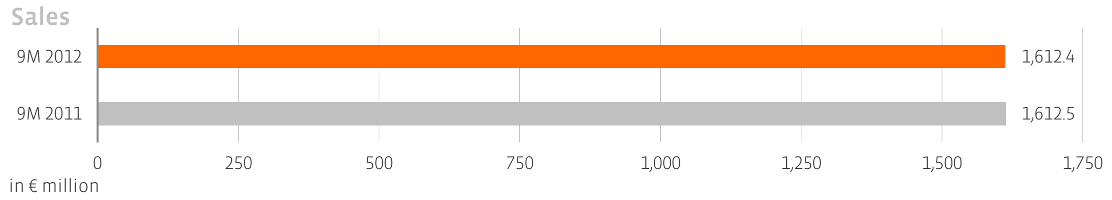
Whereas the **production of steel tubes** in the first nine months of 2012 declined in the European Union (EU) and in the CIS countries, the partly substantial ramping up of production in other regions of the world, especially in North America and the Far East, more than compensated for this shortfall. Positive stimulus for the steel tubes market continued to emanate from the energy sector. In this context, above all demand for OCTG products in North America, the global market's demand for natural gas pipelines and the expansion of offshore wind power in Europe are particularly noteworthy. The strong position of the German automobile and mechanical engineering industries in the global markets ensured comparatively good capacity utilization for German suppliers in the first six months. During the third quarter, however, these sectors were also exposed to significant braking effects.

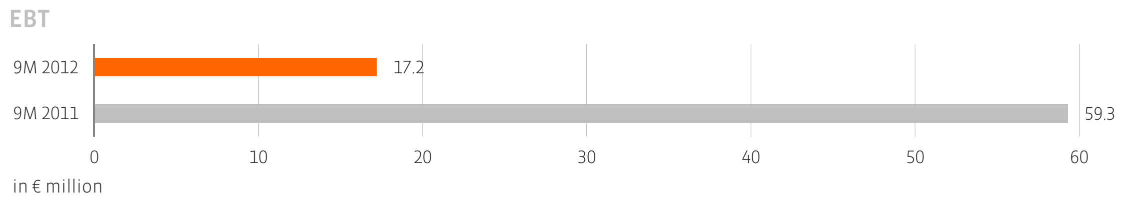
Despite an upturn in volumes, the **order intake** of the Tubes Division fell short of the previous year's figure, pressured by selling prices. Whereas HFI-welded tubes recorded significant growth, the precision tubes and the large-diameter tubes segments in particular did not repeat the levels achieved in the first nine months of 2011. **Orders on hand** contracted by 15 %.

The higher shipments of HFI-welded tubes were able to compensate for the demand-induced downturn in the volumes of large-diameter tubes. **Tubes shipments** overall therefore reached the year-earlier level.

Thanks to appreciable increases in HFI-welded tubes and seamless stainless steel tubes, **segment sales** in the first nine months of 2012 matched the levels achieved a year ago. The **external sales** of the Tubes Division were down by 10%.

Following the first quarter that was impacted by short-time work in the large-diameter tubes segment, consistent capacity utilization was achieved virtually across all product segments. The **pre-tax result** that amounted to € 17.2 million, was positive, but nonetheless lower than the previous year's figure (€ 59.3 million).





Business development of the product segments:

The **large-diameter tubes** segment was hampered in the first quarter of 2012 by severe capacity underutilization that was then largely compensated from April onwards by a major order from Australia for the delivery of 410,000 t of large-diameter tubes. In addition, Salzgitter Mannesmann Großrohr GmbH (MGR) received a major order from a French customer in August. All in all, however, order intake and orders on hand were unable to match the previous year's figures. Shipments and sales fell short of the figures posted in 2011 due to the demand-induced lower volumes at Europipe GmbH (EP). An improvement in capacity utilization compared with the first quarter and the release of risk provisions for inventory valuations at EP enabled the large-diameter tubes segment to close in the black, albeit markedly lower than a year ago.

Order activity in the **HFI-welded tubes** segment was above average, especially in the first quarter of 2012, on the back of international project business, as well as good standard business. Order intake, shipments and sales reported notable growth in the period under review. Orders on hand were somewhat lower year-on-year. The product segment generated a presentable pre-tax profit.

Whereas demand by the German automobile industry for **precision tubes** was healthy, the situation in western and southern Europe was considerably poorer. Sales to customers in the industrial and energy sectors were also very modest. This was reflected in a notably lower order intake compared with the first three quarters of 2011, especially in the French plants. Consequently, shipments and sales remained below the year-earlier figures. The unsatisfactory situation in France and out-of-period non-recurrent burdens led to a negative pre-tax result in the first nine months of 2012.

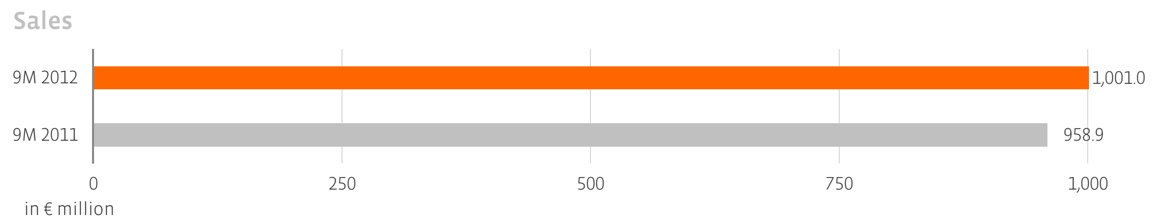
The recovery in the market for **seamless stainless steel tubes** has held steady. New orders did not quite attain the previous year's level due to selling prices. The project business did not fully meet expectations either, particularly in power plant construction that is especially important for the Salzgitter Mannesmann Stainless Tubes Group. Nonetheless, orders on hand, shipments and sales reported a notable increase. In comparison with 2011, the result before tax was more than doubled.

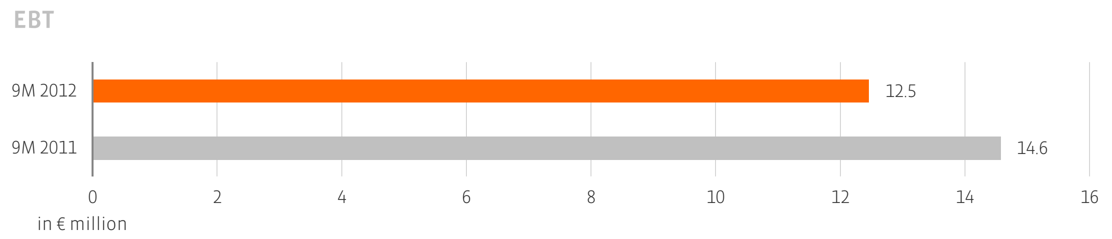
Services Division

		Q3 2012	Q3 2011	9M 2012	9M 2011
Sales[1]	€ million	320.1	332.9	1,001.0	958.9
External sales	€ million	101.1	117.0	313.3	355.7
Earnings before tax (EBT)	€ million	2.2	6.2	12.5	14.6

[1] Incl. sales to other corporate divisions

The **Services Division** comprises a number of service companies that are mainly aligned to the requirements of the Group itself, but are equally successful in providing services to external customers as well. The services offerings include the supply of raw materials, logistics, IT, personnel, research and development as well as automotive products.





The business of the Services Division was determined by the consistently high level of activities in the steel companies in the first nine months of 2012. **Segment sales** climbed to € 1,001.0 million as against the previous year's period, which was mainly attributable to the higher sales generated by DEUMU Deutsche Erz- und Metall-Union GmbH (DMU) due to the greater requirements of Peiner Träger GmbH (PTG) for steel scrap. Moreover, Verkehrsbetriebe Peine-Salzgitter GmbH (VPS) reported a slight increase in sales. The segment's **external sales** came in at € 313.3 million, thereby falling marginally short of the year-earlier level.

The Services Division delivered a **pre-tax profit** of € 12.5 million, which is lower than a year ago. Hansaport Hafenbetriebsgesellschaft mbH (HAN) and SZST Salzgitter Service und Technik GmbH (SZST) reported a downturn in the results. Shrinking trading margins also caused DMU's pre-tax profit to fall below the figure of the first nine months of 2011 despite sales growth. Salzgitter Automotive Engineering GmbH & Co. KG (SZAE) achieved a notable improvement in the pre-tax result on the back of good capacity utilization. The company did not, however, quite accomplish a turnaround.

Technology Division

		Q3 2012	Q3 2011	9M 2012	9M 2011
Order bookings	€ million	281.8	251.6	845.5	706.8
Order backlog as of 30/09/	€ million			458.7	357.7
Sales[1)]	**€ million**	**264.9**	**242.8**	**813.9**	**729.2**
External sales	**€ million**	**264.5**	**242.6**	**813.0**	**728.4**
Earnings before tax (EBT)	**€ million**	**–1.8**	**–18.7**	**0.8**	**–36.5**

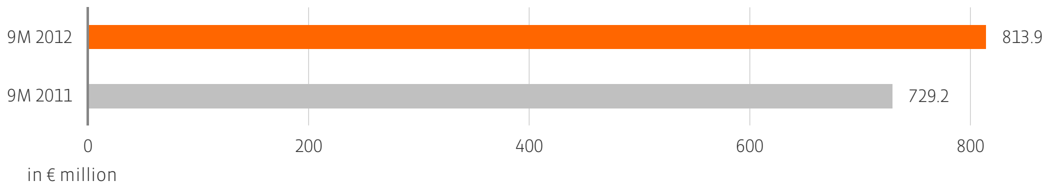
[1)] Incl. sales to other corporate divisions

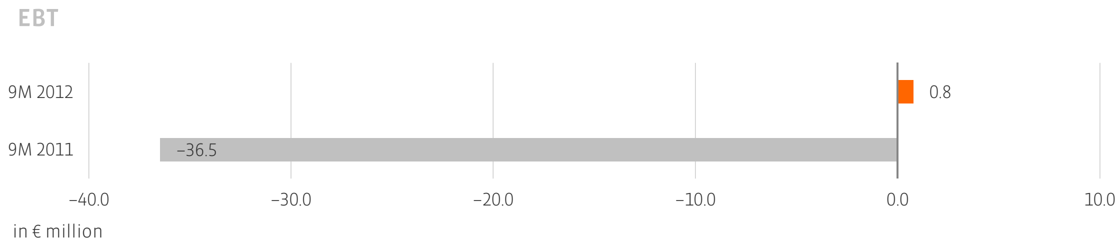
The **Technology Division** of Salzgitter AG comprises mechanical engineering companies which operate internationally. KHS GmbH (KHSDE), a company which holds a leading international position in filling and packaging technology, is the mainstay of sales. The KHS Group is a full-line supplier from intralogistics through processing to the filling and packaging of beverages. Other companies of the division sell special machinery for the shoe industry and specialize in the manufacturing of rubber and silicon injection molding machinery. In addition, RSE Grundbesitz und Beteiligungs-AG (RSE), a company managing and developing commercial real estate in Germany, is also assigned to the Technology Division.

Another two companies of the Technology Division were included in the group of consolidated companies of Salzgitter AG with retrospective effect as per January 1, 2012:
- DESMA Slovakia s.r.o. (KDESL)
- DESMA Rubber Injection Machinery (Wuxi) Co. Ltd. (DRIM)

Starting from an exceptionally high level, the order intake of the German machinery and plant engineering sector declined by 5% in the first nine months of 2012 in a year-on-year comparison. A moderate upswing in international business confirmed the market trend already forecast. This was, however, insufficient to fully compensate for the downturn in domestic business. Potential investors adopted a reticent approach in the face of general uncertainty about the economy. By contrast, the market for food and packaging machinery, KHSDE's specialization, developed more robustly and enjoyed sharp growth of 11 % over the year-earlier period.

Sales





New orders received by the Technology Division rose sharply in this environment compared with the first nine months of 2011, with the KHS Group reporting the strongest growth. The division thus continued to outperform the food and packaging machinery sector as a whole. In particular the companies of KHS located in Germany, the US and India made considerable contributions to this result. The persistently high level of order intake in the third quarter as well continues to allow a balanced capacity utilization. **Orders on hand** totaled € 458.7 million and were therefore also notably higher than the year-earlier counterpart figure.

Segment and external sales increased appreciably in a year-on-year comparison, boosted by the healthy level of orders and optimized capacity utilization. Especially the KHS companies operating in Germany and in the US made decisive contributions to this development.

Pre-tax profit came to € 0.8 million as per September 30 and was thus considerably higher than in the previous year's period (€ –36.5 million). Along with high capacity utilization, this result reflects rising sales margins in the project business at the KHS Group and the first successful impact of the "Fit4Future" program launched in 2011. Both the KDE Group and the Klöckner DESMA Schuhmaschinen GmbH (KDS) made pleasing contributions to profit.

In order to achieve sustainable competitiveness and profitability, the KHS Group has stepped up the pace of its streamlining measures since the second half of 2011. The Fit4Future program launched for this purpose comprises eleven components aimed at a leaner Group, lowering costs, enhancing the flexibility with which the volatile order intake is handled and reducing complexity by focusing production and standardizing the global product program. In this context, KHSDE is cutting jobs based on a redundancy program, mainly in the area of administration (177 employees as per September 30, 2012).

Other/Consolidation

		Q3 2012	Q3 2011	9M 2012	9M 2011
Sales[1)]	**€ million**	**40.3**	**55.2**	**178.0**	**147.6**
External sales	**€ million**	**5.5**	**23.9**	**27.5**	**65.6**
Earnings before tax (EBT)	**€ million**	**3.7**	**18.4**	**34.8**	**42.5**

[1)] inklusive Umsatz mit anderen Unternehmensbereichen

The **Other/Consolidation** segment comprises activities that are not directly allocated to a division. As a management holding company, Salzgitter AG does not have any operations of its own. Instead it manages Salzgitter Mannesmann GmbH (SMG) and Salzgitter Klöckner Werke GmbH (SKWG), the company under which the major companies of the Salzgitter Group are held.

Sales in the Other/Consolidation segment, which are generated mainly by business in semi-finished products with subsidiaries and external parties, climbed to € 178.0 million on the back of intra-group deliveries during the reporting period (previous year: € 147.6 million). **External sales** fell to € 27.5 million (previous year: € 65.6 million) due to the current economic environment.

Pre-tax profit stood at € 34.8 million, which is lower compared with a year ago (€ 42.5 million). The result includes € 44.6 million in after-tax profit (previous year: € 52.9 million) from Aurubis AG (NAAG), a participation included at equity. An additional positive effect derived from interest income resulting from the cash management carried out by SKWG. Effects from the valuation of financial instruments had a countervailing impact.

Explanations on the Financial Position and Net Worth

Explanations on the balance sheet

The **total assets** of the Salzgitter Group rose by 4% (€ +319 million) in the current reporting period compared with December 31, 2011. Whereas the depreciation of property, plant and equipment and amortization of intangible assets exceeded investments by € 16 million, financial assets above all climbed by € +54 million.

The increase in **current assets** (€ +248 million) is attributable to the growth in trade receivables (€ +252 million) and in securities investments (€ +330 million). The lower level of other assets (€ –136 million) and of financial assets (€ –158 million) constituted a counter effect.

On the **liabilities side**, the improved volume of business was shown mainly by the current liabilities (€ +436 million). The increase in trade payables (€ +303 million) as well as in other liabilities and income tax liabilities (€ +115 million) reflected the higher trade receivables. The equity ratio stood at 43.0% which continues to form a sound basis.

The **net credit balance** had risen to € 573 million by the end of the reporting period (December 31, 2011: € 508 million). Investments worth € 1,295 million, including securities, were offset by liabilities of € 722 million (December 31, 2011: € 695 million), of which € 130 million were owed to banks and € 592 million were obligations attached to convertible and exchangeable bonds.

Explanations on the cash flow statement

The increase in prepayments for projects, the main cause of the rise in other liabilities, resulted in a positive **cash flow from operating activities** (€ +395 million) in spite of a negative pre-tax result (€ –43 million).

The **cash outflow from investment activities** (€ –551 million) was attributable in particular to payments for investment in property, plant and equipment (€ –242 million) and financial assets (€ –47 million), the levels of which were below the year-earlier period (€ –400 million). In addition, investments of funds amounting to € 225 million were made.

The disbursement of dividend (€ –24 million), the redemption of loans (€ –6 million) and interest payments (€ –11 million) constituted a **cash outflow from financing activity** of € –41 million.

Cash and cash equivalents fell by € 145 million compared with September 30, 2011.

Investments

In the first nine months of the financial year 2012, **investments in property, plant and equipment and intangible assets** amounted to € 240.0 million, which is below the year-earlier the figure (€ 276.5 million). By contrast, the depreciation of property, plant and equipment and amortization of intangible assets (€ 255.9 million) was higher in comparison with the year-earlier figure (€ 249.8 million) and in relation to the investment amount in the reporting period.

In the first nine months of 2012, **Salzgitter Flachstahl GmbH (SZFG)** focused on projects geared to optimizing existing facilities and securing their availability as well as on environmental protection measures.

The commissioning of the new strip caster in Peine, part of the **"Belt Casting Technology"** project that is being implemented to enable the production of innovative steel materials with special properties while conserving resources, commenced on time. The first trial sheets were rolled on the rolling line in Salzgitter.

Progress was made with the construction measures under the **“Tandem Mill Entry Looper”** investment. The tandem mill is to be supplemented by an inlet system with a welding machine and strip storage that will allow partly continuous rolling. This measure will optimize both the efficiency of the mill and the quality of the products subsequently produced.

The construction and assembly phase of the **“Sinter Cooler Dust Removal"** environmental protection project is proceeding as planned. The existing sinter cooler is to be equipped with a dust extraction system and connected up to a filter to reduce emissions

Engineering has started under the **"Converter A Renewal"** project. This measure entails both enlarging the vessel by around 50 m³ and improving the drive concept. The aim is to optimize output volumes while reducing operating costs.

The "ILG 2015" investment project of **Ilsenburger Grobblech GmbH (ILG)** to raise the volume of thick slabs (350mm thick input material) is proceeding according to plan.

Work on the major "Replacement of the Cross Cut Shear" investment project of **Salzgitter Mannesmann Grobblech GmbH (MGB)** is progressing to schedule.

In the first nine months of 2012, **VPS Verkehrsbetriebe-Peine-Salzgitter GmbH (VPS)** took delivery of another ten of a total of 40 locomotives. In its function as property developer and cost-bearing company, **Glückauf Immobilien GmbH (GIG)** commenced with the construction of building a new visitor center for SZFG at Gate 1 of the Salzgitter steelworks in April. The two-storey building, made of steel and glass, is due for completion in December 2012. Construction work, also for SZFG, on a building to house its administration activities commenced in July 2012, with completion scheduled for August 2013.

The investment activities of the Technology Division were concentrated on replacement and streamlining measures geared to promoting the competitiveness of the **KHS Group**. IT projects in Germany and in the international companies were carried out to further optimize processes.

The relocation of the keg technology from Kriftel for the purpose of combining it with **KHS GmbH's (KHSDE)** second largest site in Bad Kreuznach has been completed. Along with its excellent infrastructure, this plant site is better equipped to smooth demand peaks. The location also offers sufficient area to accommodate further expansion. The relocation of packaging and pallet transport production from Worms to Dortmund is still ongoing due to the high level of orders to be processed. The third quarter saw the start to an extensive project for a software-based configuration of KHS products and packaging lines under the name of "Product Configurator". This measure is aimed at enabling the efficient tendering of quotations and the processing of orders, based in future on products and processes standardized to a higher degree.

The inauguration ceremony of **Corpoplast Beverage Equipment (Suzhou) Co., Ltd. (CBE)** in Suzhou near Shanghai took place in June this year. Work on the assembly of machinery for the production and filling of PET bottles from mineral water began in August 2012. The first machine built in Suzhou was exhibited at the China Brew & Beverage in Peking in September and was subsequently sold.

Hamburg-based **KHS Corpoplast GmbH (BEVCP)** has started construction work on a new building to accommodate an extended assembly surface area. Expanding the stretch blow machine business as part of KHS' Fit4Future program is an important strategic key success factor in PET product lines.

Research and Development

Salzgitter Mannesmann Forschung GmbH (SZMF) is the central research unit of the Steel and Tubes divisions. The R&D activities are concentrated on materials development and processing, as well as application, coating and testing technologies. In addition to the Salzgitter Group companies, customers include external companies, for example from the steel processing industry, automotive industry, machinery and plant engineering, energy technology, as well as the construction industry.

SZMF's R&D expenses in 2012 are expected to remain at the year-earlier level. No significant changes have been planned in the number of employees either.

HSD® light-weight construction

Together with the research department of a major German automobile manufacturer, SZMF has succeeded in proving the advantages of high-manganese HSD® steel using the example of a vehicle seating component: it complies with stringent crash standards and is 30% lighter than the current serial part.

Hidden high performers – bainitic hot-rolled strip for automobile bodywork

Two chassis components delivered proof of the excellent properties of the material SZBS800 of Salzgitter Flachstahl GmbH (SZFG). In close collaboration with a renowned German automobile manufacturer, the material was qualified for use in a new volume model and put into serial production. The challenge in developing the material was to produce relatively thin hot strip in a very large coil width. Another necessity was to satisfy the special demands placed on the formability of this bainitic material.

Minimal use of packaging material

KHS's FullyEnclosed FilmPack™ system for the shrink packer offers greater stability in shrink film packaging and enables the packaging of cans and bottles without bulls eyes. The cardboard trays used up until now are no longer necessary, which allows sustainable and single-material packaging solutions. Companies in the beverages, food and non-food sectors that rely on large-format shrink packaging benefit from this cost-saving innovation.

Employees

	30/09/2012	31/12/2011	+/–
Core workforce	**23,403**	**23,367**	**36**
of which Steel Division	7,116	7,014	102
of which Trading Division	2,082	2,070	12
of which Tubes Division	5,633	5,550	83
of which Services Division	3,763	3,943	– 180
of which Technology Division	4,631	4,625	6
of which Holding	178	165	13
Apprentices, students, trainees	1,548	1,550	– 2
Non-active age-related part-time employment	747	591	156
Total workforce	**25,698**	**25,508**	**190**

The **core workforce** of the Salzgitter Group came to 23,403 employees on September 30, which represents an additional 36 persons compared with the beginning of 2012. The change in numbers takes account of 149 employees included in the personnel statistics for the first time owing to the initial consolidation of Salzgitter Mannesmann Precisión S.A. de C.V., El Salto (Mexiko) (MPM) with retrospective effect as per January 1, 2012, following on from the second quarter which saw the first-time consolidation of two companies with a workforce totaling 107 employees. A countereffect emanated from employees taking up non-active age-related part time and the expiry of temporary contracts. Since January 1, 362 trainees have been given employment, 290 of whom were appointed temporarily. The entire **workforce amounted** to 25,698.

At the end of the third quarter of 2012, the number of temporary staff outsourced had declined by 186 persons in comparison with the 2011 reporting date. As per September 30, 2012, 15 employees were affected by short-time work in the Salzgitter Group.

Forecast, Opportunities and Risk Report

Over the course of the year to date, European steel activities were impacted by the tense economic situation in the countries of southern Europe that have been particularly hard hit by sovereign debt and structural problems. The activities of German steel processors and traders have also recently been increasingly affected by the more pessimistic business outlook. It is therefore quite unlikely that the steel market will have staged a major recovery by the end of the year, although imports into Europe and traders' inventories remain at a moderate level. Accordingly, the **Steel Division** is likely to be unable to improve on the results so far reported in the final quarter 2012 and to close the financial year with a high pre-tax loss.

The **Trading Division** anticipates stable results in the fourth quarter of 2012. International trading above all expects business to remain satisfactory, which should compensate the current pressure on margins in the stockholding steel trade. As before, we forecast a profit for the division in the double-digit million range.

In the **Tubes Division**, the most recent forecast for shipments, particularly in the precision tubes business serving the automotive industry, has deteriorated significantly as opposed to the other product segments where capacity is largely booked through to the end of the year. All in all, the forecast for a positive pre-tax annual result should be achievable in the Tubes Division.

The sales and pre-tax profit of the **Services Division** are expected to attain the year-earlier level.

The companies of the **Technology Division** continue to benefit from good capacity utilization. The current deterioration in economic conditions is, however, beginning to affect the booking patterns of customers in the mechanical engineering sector. In comparison with the previous-year period, the division is nonetheless expected to disclose a drastic improvement in the pre-tax result to around breakeven in the financial year 2012.

With regard to the Salzgitter Group, we affirm our forecast for stable sales at minimum and now anticipate a **pre-tax result** around breakeven.

As in recent years, we make reference to the fact that **opportunities and risks** from currently unforeseeable trends in selling prices, input material prices and capacity level developments, as well as changes in the currency parity, may considerably affect performance in the course of the financial year 2012. Additional positive or negative effects may arise from structural or methodological changes. This includes in particular measurement pursuant to IFRS standards and their application. The resulting fluctuation in the consolidated pre-tax result may be within a considerable range, either to the positive or to the negative.

Risk Management

With regard to the individual **opportunities and risks**, we make reference to the Annual Report 2011. At the time of reporting there were no risks which could endanger the Salzgitter Group as a going concern.

In terms of risks arising from raw materials price volatility, particularly iron ore and coking coal whose deliveries are largely based on quarterly contracts in 2012 as well, the effects on the result of the companies have been factored in to the extent they can be estimated.

A one-year contract has been signed again with an ore supplier from which a significant volume is traditionally sourced. The contract covers the period from April 2012 to March 2013 and includes a flexibility clause that has meanwhile served to lower the purchase price. Contracts with the market leader for coking coal are priced on a monthly basis. This affects around one third of the volume purchased by Salzgitter AG. From today's standpoint, we do not anticipate any fundamental change in the Group's risk position.

Events of Significance

Steel industry battles additional burdens in emissions trading

Since, in its verdict of June 4, 2012, the General Court of the European Union dismissed the actions for formal reasons brought by the EUROFER, the European Steel Association, as well as by a number of steel producers in German-speaking countries against unjustified additional burdens from emissions trading resulting from the fixing of inappropriate allocation benchmarks for pig iron and sinter, the steel producers now plan to contest the decision at national level.

The European Court has not passed a verdict in the matter. Instead, it merely stated that a national court initially would have to decide on the allocation of certificates to European steel producers. A ruling at national level would be the pre-requisite for the European Court to address itself to examining the content of the issue. Furthermore, it ruled that the allocation decisions must first be made before an action can be brought before the national courts. Steel producers must then lodge an objection against these decisions and, in the instance of rejection, institute legal proceedings.

A number of steel producers, including Salzgitter Flachstahl GmbH (SZFG), have meanwhile applied to the EU Commission and national authorities for access to the files in order to prepare the next steps.

The concerns of the steel industry are directed against the specific regulations governing the allocation of emission certificates as from the year 2013 and not generally against the instrument of emissions trading itself. Their claim is that the Commission has set CO_2 benchmarks for pig iron and sinter products at a level that contravenes the directives on the European emissions trading, and which is technically not achievable, as well as not being in line with the implementation directives. The European steel industry is of the opinion that the resulting additional burdens it will have to confront will be significant.

“Salzgitter AG 2015”

The "Salzgitter AG 2015" project has been initiated in order to safeguard the competitiveness of Salzgitter AG and its Group companies in an environment set to remain difficult in the medium term. Under this project, the Salzgitter Group's process and organization structure, set in place more than ten years ago and characterized by extensive decentralization, is to be reviewed and changes implemented wherever necessary. The objective is to create the prerequisites that will enable our company to respond even more swiftly and effectively and in a more customer-oriented way so as to better identify and exploit market opportunities. Implementation is expected to commence at mid-year 2013. The ongoing measures and structural programs in individual Group companies will continue to be consistently implemented, developed further wherever necessary, and linked to the "Salzgitter AG 2015" project.

Interim Financial Statemant

I. Consolidated Income Statement

in € million	Q3 2012	Q3 2011	9M 2012	9M 2011
Sales	2,636.7	2,557.9	8,015.1	7,331.4
Increase/decrease in finished goods and work in process/other own work capitalized	11.5	98.6	– 1.3	288.2
	2,648.2	2,656.5	8,013.9	7,619.6
Other operating earnings	35.6	65.7	120.5	166.5
Cost of materials	1,970.2	1,950.2	5,972.4	5,496.4
Personnel expenses	372.1	365.2	1,124.5	1,092.1
Amortization and depreciation	85.4	83.4	255.9	249.8
Other operating expenses	264.7	264.8	795.1	761.1
Income from shareholdings	2.7	0.3	7.8	2.3
Income from associated companies	7.1	3.3	42.1	50.2
Financing income	11.0	8.6	31.3	25.6
Financing expenses	36.9	31.6	110.4	95.5
Earnings before tax	**– 24.5**	**39.1**	**– 42.6**	**169.1**
Income tax	1.1	18.1	5.7	54.4
Consolidated net income/loss for the period	**– 25.7**	**21.0**	**– 48.2**	**114.7**
Appropriation of profit				
Consolidated net income/loss for the period	**– 25.7**	**21.0**	**– 48.2**	**114.7**
Profit carried forward from the previous year	0.0	0.0	27.1	19.3
Minority interests	0.3	1.3	2.9	3.4
Dividend payment	0.0	0.0	– 24.3	– 17.3
Appropriation from (+) / to (–) other retained earnings	26.0	– 19.6	51.1	– 111.3
Unappropriated retained earnings	**0.0**	**0.0**	**2.7**	**2.0**
Basic earnings per share (in €)	**– 0.49**	**0.36**	**– 0.95**	**2.06**
Diluted earnings per share (in €)	**– 0.49**	**0.38**	**– 0.95**	**2.06**

II. Statement of Comprehensive Income

in € million	Q3 2012	Q3 2011	9M 2012	9M 2011
Consolidated net income/loss for the period	**– 25.7**	**21.0**	**– 48.2**	**114.7**
Changes in currency translation	7.6	6.3	4.5	– 6.3
Change in value from hedging transactions				
of which changes in current value recorded directly in equity	– 0.6	– 1.2	– 2.7	– 1.0
of which recognition of settled hedging transactions with effect on income	0.0	0.0	1.3	– 0.7
Changes in current value recorded directly in equity of financial assets in the "Available-for-sale assets" category				
Changes in current value recorded directly in equity	– 1.6	– 4.3	2.0	– 6.0
Deferred tax on changes without effect on income	– 0.1	0.1	– 0.4	0.0
Other changes without effect on income	1.3	11.2	– 5.4	2.3
Changes directly recorded in equity	**6.6**	**12.1**	**– 0.7**	**– 11.8**
Total comprehensive income	**– 19.1**	**33.1**	**– 48.9**	**102.9**
Total comprehensive income due to Salzgitter AG shareholders	– 27.9	31.6	– 51.8	99.4
Total comprehensive income due to minority interests	1.8	1.4	2.9	3.5
	– 26.1	**33.0**	**– 48.9**	**102.9**

III. Consolidated Balance Sheet

Assets in € million	30/09/2012	31/12/2011
Non-current assets		
Intangible assets	112.8	120.8
Property, plant and equipment	2,535.1	2,533.6
Investment property	23.8	24.0
Financial investments	190.2	136.1
Associated companies	625.2	600.9
Deferred income tax assets	255.2	256.1
Other receivables and other assets	4.1	3.8
	3,746.3	3,675.3
Current assets		
Inventories	2,067.8	2,105.8
Trade receivables	1,699.5	1,447.3
Other receivables and other assets	341.5	477.3
Income tax assets	68.6	71.1
Securities	406.8	77.0
Cash and cash equivalents	788.5	946.2
	5,372.6	5,124.7
	9,118.9	**8,800.0**

Equity and liabilities in € million	30/09/2012	31/12/2011
Equity		
Subscribed capital	161.6	161.6
Capital reserve	238.6	238.6
Retained earnings	3,883.0	3,933.1
Unappropriated retained earnings	2.7	27.1
	4,286.0	4,360.4
Treasury shares	−369.7	−369.7
	3,916.3	3,990.7
Minority interests	8.9	9.0
	3,925.2	3,999.8
Non-current liabilities		
Provisions for pensions and similar obligations	1,872.0	1,893.2
Deferred tax liabilities	67.0	81.8
Income tax liabilities	195.6	207.4
Other provisions	256.3	259.6
Financial liabilities	610.0	601.4
	3,000.9	3,043.4
Current liabilities		
Other provisions	338.6	352.3
Financial liabilities	178.9	146.5
Trade payables	1,103.3	800.5
Income tax liabilities	56.8	40.6
Other liabilities	515.3	416.9
	2,192.9	1,756.8
	9,118.9	**8,800.0**

IV. Cash Flow Statement

in € million	9M 2012	9M 2011
Earnings before tax (EBT)	–42.6	169.1
Depreciation, write-downs (+)/write-ups (-) on fixed assets	255.9	249.9
Income tax refunded (+) / paid (–)	47.5	96.0
Other non-payment-related expenses (+)/income (–)	84.8	19.3
Interest expenses	100.5	95.5
Profit (–)/loss (+) from the disposal of fixed assets	2.8	2.2
Increase (–)/decrease (+) in inventories	46.4	–447.9
Increase (–)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	–310.4	–478.1
Use of provisions affecting payments, excluding income tax provision	–195.0	–192.8
Increase (+)/decrease (–) in trade payables and other liabilities not attributable to investment or financing activities	405.1	200.7
Cash outflow/inflow from operating activities	**395.0**	**–286.1**
Cash inflow from the disposal of fixed assets	1.3	1.4
Cash outflow for investments in intangible and fixed assets	–241.5	–280.2
Cash inflow (+)/outflow (–) for funds	–225.3	84.8
Cash inflow from the disposal of financial assets	1.4	5.9
Cash outflow for investments in financial assets	–46.9	–120.1
Cash flow from investment activities	**–511.0**	**–308.2**
Cash outflow in payments to company owners	–24.3	–17.3
Cash inflow (+)/outflow (–) as a result of the issuing of bonds, borrowings and other financial liabilities	–5.8	–16.4
Interest paid	–11.3	–16.6
Cash outflow/inflow from financing activities	**–41.4**	**–50.3**
Cash and cash equivalents at the start of the period	946.2	1,574.3
Cash and cash equivalents relating to changes of the consolidated group	1.0	5.4
Gains and losses from changes in foreign exchange rates	–1.3	–1.4
Payment-related changes in cash and cash equivalents	–157.4	–644.6
Cash and cash equivalents at the end of the period	**788.5**	**933.7**

V. Statement of Changes in Equity

in € million	Subscribed capital	Capital reserve	Purchase/ repurchase of treasury shares	Other retained earnings	Reserve from currency translation
As of December 31, 2010	**161.6**	**238.6**	**– 369.7**	**4,108.1**	**– 14.5**
Goodwill resulting from the acquisition of minority interst				– 31.8	
Total comprehensive income				– 0.1	– 6.3
Dividend					
Group transfers to retained earnings				111.3	
Changes to the Group of consolidated companies				24.3	
Other				0.2	
As of September 30, 2011	**161.6**	**238.6**	**– 369.7**	**4,212.0**	**– 20.8**
As of December 31, 2011	**161.6**	**238.6**	**– 369.7**	**4,311.1**	**– 15.0**
First-time consolidation of affiliated companies so far not consolidated due to materiality resons				1.7	
Total comprehensive income				0.0	4.5
Dividend					
Group transfers from retained earnings				– 51.1	
As of September 30, 2012	**161.6**	**238.6**	**– 369.7**	**4,261.7**	**– 10.5**

Changes in the value of the reserve from hedging transactions	Changes in the value reserve from available for-sale assests	Other changes in equity with no effect on income	Unappropriated retained earnings	Equity (excluding minority interests)	Minority interests	Equity
–0.3	**–6.1**	**–301.8**	**19.3**	**3,835.3**	**10.6**	**3,845.9**
				–31.8	–1.0	–32.8
–1.7	–6.0	2.2	111.3	99.4	3.5	102.9
			–17.3	–17.3		–17.3
			–111.3	0.0		0.0
				24.3		24.3
				0.2	–3.6	–3.5
–2.0	**–12.1**	**–299.6**	**2.0**	**3,910.1**	**9.5**	**3,919.6**
1.1	**–14.0**	**–350.1**	**27.1**	**3,990.7**	**9.0**	**3,999.8**
				1.7	0.1	1.8
–1.4	2.0	–5.8	–51.1	–51.8	2.9	–48.9
			–24.3	–24.3		–24.3
			51.1	0.0	–3.1	–3.1
–0.3	**–12.0**	**–355.9**	**2.7**	**3,916.3**	**8.9**	**3,925.2**

Notes

Segment Reporting

in € million	Steel		Trading		Tubes	
	9M 2012	9M 2011	9M 2012	9M 2011	9M 2012	9M 2011
External sales	2,037.6	2,071.4	3,659.0	2,810.6	1,164.7	1,299.6
Sales to other segments	897.2	899.1	21.4	75.6	447.3	311.9
Sales to Group companies that cannot be allocated to an operating segment	0.0	0.0	0.0	0.0	0.4	0.9
Segment sales	2,934.8	2,970.5	3,680.4	2,886.3	1,612.4	1,612.5
Interest income (consolidated)	0.2	2.2	4.2	4.9	0.6	1.0
Interest income from other segments	0.0	0.0	0.0	0.0	0.0	0.0
Interest income to Group companies that cannot be allocated to an operating segment	0.1	0.2	0.3	0.9	0.0	1.3
Segment interest income	0.4	2.4	4.5	5.8	0.6	2.3
Interest expenses (consolidated)	10.5	10.2	9.3	5.3	5.7	5.2
Interest expenses to other segments	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenses to Group companies that cannot be allocated to an operating segment	56.2	53.9	8.5	5.9	11.7	7.8
Segment interest expenses	66.7	64.1	17.8	11.3	17.5	13.0
of which interest portion of allocations to pension provisions	7.2	6.8	2.5	2.5	4.5	4.3
Depreciation/amortization of tangible and intangible fixed assets	173.9	171.8	8.5	8.2	34.6	32.4
thereof scheduled depreciation of tangible fixed assets and amortization of intangible assets	173.9	171.8	8.5	8.2	34.6	32.4
EBITDA	90.4	269.4	63.7	67.1	68.6	102.4
EBIT	– 83.4	97.6	55.3	58.8	34.0	70.0
Earnings before tax (EBT)	– 149.8	35.9	42.0	53.3	17.2	59.3
of which from associated companies	0.0	0.2	0.0	0.0	– 2.5	– 3.0
Investments in tangible and intangible fixed assets	143.0	181.9	13.6	9.2	31.7	40.4

Services		Technology		Total segments		Other/Consolidation		Group	
9M 2012	9M 2011	9M 2012	9M 2011	9M 2012	9M 2011	9M 2012	9M 2011	9M 2012	9M 2011
313.3	355.7	813.0	728.4	7,987.6	7,265.8	27.5	65.6	8,015.1	7,331.4
683.7	600.0	0.5	0.5	2,050.1	1,887.1	150.5	82.0	2,200.6	1,969.2
4.0	3.2	0.4	0.3	4.8	4.4	0.0	0.0	4.8	4.4
1,001.0	958.9	813.9	729.2	10,042.5	9,157.3	178.0	147.6	10,220.5	9,305.0
0.5	0.5	2.4	1.6	8.0	10.1	18.1	15.5	26.1	25.6
0.0	0.0	0.0	0.0	0.0	0.0	73.5	74.1	73.5	74.1
8.7	10.1	0.1	0.3	9.2	12.7	0.0	0.0	9.2	12.7
9.2	10.6	2.5	1.8	17.2	22.8	91.7	89.6	108.9	112.4
10.3	10.4	4.1	6.2	39.8	37.3	60.6	58.2	100.5	95.5
0.0	0.0	0.0	0.0	0.0	0.0	21.8	12.8	21.9	12.8
3.1	2.9	0.7	3.5	80.3	74.1	0.0	0.0	80.3	74.1
13.4	13.3	4.8	9.8	120.1	111.4	82.5	70.9	202.6	182.3
10.0	10.0	2.9	4.9	27.0	28.6	30.4	30.3	57.4	58.9
18.3	16.8	18.9	19.2	254.1	248.5	1.9	1.4	255.9	249.8
18.3	16.8	18.9	19.1	254.1	248.4	1.9	1.4	255.9	249.8
34.9	34.1	21.9	–9.3	279.6	463.7	8.1	25.2	287.7	488.9
16.6	17.3	3.0	–28.5	25.6	215.2	6.2	23.9	31.8	239.0
12.5	14.6	0.8	–36.5	–77.4	126.6	34.8	42.5	–42.6	169.1
0.0	0.0	0.0	0.0	–2.5	–2.8	44.6	52.9	42.1	50.2
37.6	31.2	13.3	13.5	239.1	276.2	0.9	0.2	240.0	276.5

Further Information

Principles of accounting consolidation, sheet reporting and valuation methods

1. The consolidated financial report of Salzgitter AG, Salzgitter, for the reporting period from January 1 to September 30, 2012, has been prepared as a condensed report with selected notes. The report has been drawn up, as before, in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) in consideration of the requirements set out under IAS 34 for condensed interim reports.
2. In comparison with the annual financial statements as at December 31, 2011, no changes have been made in the accounting, valuation, calculation and consolidation methods applied to the interim financial statement for the period ended September 30, 2012.
3. The following companies have been fully consolidated for the first time:

- DESMA Slovakia s.r.o. (KDSL)
- DESMA Rubber Injection Machinery (Wuxi) Co. Ltd. (DRIM)
- Salzgitter Mannesmann Precisión S.A. de C.V., El Salto (Mexiko) (MPM)

Selected explanatory notes to the income statement

1. Sales by division are shown in the segment report.
2. Earnings per share are calculated in accordance with IAS 33. Basic earnings per share, calculated from the weighted number of shares of Salzgitter AG, came to € –0.95 in the period under review. Dilution would occur if earnings per share were reduced through the issuance of potential shares from option and conversion rights. Such rights, attached to a convertible bond, existed as of the reporting date. When taken into account, there is no decrease in earnings per share from continued operations, as a result of which these option and conversion rights do not have a dilutive effect. Diluted earnings per share also amount to € –0.95.

Related party disclosures

In addition to business relationships with companies that are consolidated fully and proportionately in the consolidated financial statements, relationships also exist with associated companies and shareholdings that must be designated as related companies in accordance with IAS 24.

All business transactions with related companies are conducted on terms that also customarily apply among third parties (arm's length). The deliveries and services rendered essentially comprise deliveries of input material for the manufacture of large-diameter pipes and precision tubes. Their volumes are shown in the table below:

in € million	Sale of goods and services	Purchase of goods and services	Trade receivables	Trade payables
	01/01/-30/09/2012	01/01/-30/09/2012	30/09/2012	30/09/2012
Hüttenwerke Krupp Mannesmann GmbH, Duisburg	16.8	436.5	5.0	31.0

There is a long-term loan granted to Hüttenwerke Krupp Mannesmann GmbH, Duisburg, in an amount of € 80.0 million.

Information pursuant to Section 37w paragraph 5 of the German Securities Trading Act (WpHG)

This set of interim financial statements and interim report has not been subjected to an auditor's review.

Financial Calendar 2012/2013

November 14, 2012	Interim report for the first nine months 2012
December 31, 2012	End of financial year 2012
February 27, 2013	Key data for financial year 2012
March 22, 2013	Publication of the consolidated financial statements 2013 Annual press conference
March 25, 2013	Analyst conference in Frankfurt/Main
March 26, 2013	Analyst conference in London
May 15, 2013	Interim report for the first quarter 2013
May 23, 2013	Annual General Meeting
August 14, 2013	Interim report for the first half 2013 Analyst conference in Frankfurt/Main
August 15, 2013	Analyst conference in London
November 14, 2013	Interim report for the first nine months 2013
December 31, 2013	End of financial year 2013

Legal disclaimer

Some of the statements made in this report possess the character of forecasts or may be interpreted as such. They are made upon the best of information and belief and by their nature are subject to the proviso that no unforeseeable deterioration occurs in the economy or in the specific market situation pertaining to the companies of the divisions, but rather that the underlying bases of plans and outlooks prove to be accurate as expected in terms of their scope and timing. The company undertakes no obligation to update any forward-looking statements.

For computational reasons, rounding-off differences of +/– one unit (€, % etc.) may occur in the tables.

The Interim Report of Salzgitter AG is also available in German. In the event of any discrepancy, the German version shall prevail.

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